BODISEN BIOTECH, INC
Form 10-Q
May 16, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: March 31, 2011
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-31539

BODISEN BIOTECH, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	98-0381367
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Room 2001, FanMei Building
No. 1 Naguan Zhengjie
Xi'an, Shaanxi
People's Republic of China 710068
(Address of Principal Executive Offices) (Zip Code)

852-2482-5168
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer. o	Accelerated filer. o
	Smaller reporting company. x

Non-accelerated filer. o (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the issuer's classes of common stock as of May 13, 2011: 21,510,250.

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BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2011 (unaudited)	December 31, 2010 (audited)
ASSETS		
CURRENT ASSETS:		
Cash & cash equivalents	$1,739,699	$ 3,675,209
Accounts receivable and other receivable, net of allowance for doubtful accounts of $1,015,933 and $1,005,992	4,413,915	4,499,673
Other receivables	23,151	9,185
Note receivable	1,527,000	1,517,000
Inventory	1,712,321	1,198,134
Advances to suppliers	976,048	665,765
Prepaid expense and other current assets	12,971	8,598
Total current assets	10,405,105	11,573,564
PROPERTY AND EQUIPMENT, net	22,633,610	22,870,340
MARKETABLE SECURITY, AVAILABLE-FOR-SALE	4,037,180	8,780,867
INTANGIBLE ASSETS, net	4,799,535	4,813,409
TOTAL ASSETS	$41,875,430	$ 48,038,180
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$1,252,826	$ 1,256,681
Accrued expenses	164,766	811,181
Deferred revenue	1,255,992	1,615,865
Note payable	1,527,000	-
Total current liabilities	4,200,584	3,683,727
Long-term note payable	-	1,517,000
TOTAL LIABILITIES	4,200,584	5,200,727
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.0001 per share; authorized 5,000,000 shares; nil issued and outstanding	-	-
Common stock, $0.0001 per share; authorized 30,000,000 shares; issued and outstanding 21,510,250	2,151	2,151
Additional paid-in capital	35,345,542	35,345,542
Accumulated other comprehensive income	10,704,056	15,225,304
Statutory reserve	4,314,488	4,314,488
Retained Earnings	(12,691,391)	(12,050,032)

Total stockholders' equity	37,674,846	42,837,453
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$41,875,430	$ 48,038,180

The accompanying notes are an integral part of these consolidated financial statements

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
OTHER COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31,	
	2011 (unaudited)	2010 (as restated) (unaudited)
Net revenue	$ 1,024,677	$ 1,538,342
Cost of revenue	479,217	809,883
Gross profit	545,460	728,459
Operating expenses		
Selling expenses	683,897	141,414
General and administrative expenses	516,610	747,984
Total operating expenses	1,200,507	889,398
Loss from operations	(655,047)	(160,939)
Non-operating income (expense):		
Other income (expense)	(229)	(614)
Interest income	48,067	3,168
Interest expense	(34,150)	(660)
Total non-operating income	13,688	1,894
Net loss	(641,359)	(159,045)
Other comprehensive income (loss)		
Foreign currency translation gain (loss)	222,439	(79)
Unrealized loss on marketable equity security	(4,743,687)	(1,130,410)
Comprehensive loss	$ (4,521,248)	$ (1,130,489)
Weighted average shares outstanding :		
Basic	21,510,250	18,710,250
Diluted	21,510,250	18,710,250
Earnings per share:		
Basic	$ (0.03)	$ (0.01)
Diluted	$ (0.03)	$ (0.01)

The accompanying notes are an integral part of these consolidated financial statements

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2011 (unaudited)	2010 (as restated) (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (641,359)	$ (159,045)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	432,138	260,824
Allowance (recovery) of bad debts	3,298	295,397
(Increase) / decrease in assets:		
Accounts receivable	111,727	(336,320)
Other receivables	(13,858)	(6,064)
Inventory	(504,557)	197,037
Advances to suppliers	(304,849)	(434,833)
Prepaid expense	(4,301)	133,058
Increase / (decrease) in current liabilities:		
Accounts payable	(12,030)	22,112
Accrued expenses	(3,497)	7,516
Deferred revenue	(369,258)	(507,033)
Other payables	(645,968)	-
Net cash used in operating activities	(1,952,514)	(527,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(525)	(3,267)
Net cash used in investing activities	(525)	(3,267)
Effect of exchange rate changes on cash and cash equivalents	17,529	(142)
NET DECREASE IN CASH & CASH EQUIVALENTS	(1,935,510)	(530,760)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	3,675,209	4,824,135
CASH & CASH EQUIVALENTS, END OF PERIOD	$ 1,739,699	$ 4,293,375
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)

Note 1 - Organization and Basis of Presentation

The unaudited consolidated financial statements have been prepared by Bodisen Biotech, Inc., a Delaware corporation (the "Company" or "Bodisen"), pursuant to the rules and regulations of the Securities Exchange Commission ("SEC"). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K. The results for the three months ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year ending December 31, 2011.

Organization and Line of Business

The accompanying consolidated financial statements include the accounts of Bodisen Biotech, Inc., its 100% wholly-owned subsidiaries Bodisen Holdings, Inc. (BHI), Yang Ling Bodisen Agricultural Technology Co., Ltd ("Agricultural"), which was incorporated in March 2005, and Sinkiang Bodisen Agriculture Material Co., Ltd. ("Material"), which was incorporated in June 2006, as well as the accounts of Agricultural's 100% wholly- owned subsidiary Yang Ling Bodisen Biology Science and Technology Development Company Limited ("BBST"). The Company is engaged in developing, manufacturing and selling organic fertilizers, liquid fertilizers, pesticides and insecticides in the People's Republic of China and produces numerous proprietary product lines, from pesticides to crop-specific fertilizers. The Company markets and sells its products to distributors throughout the People's Republic of China, and these distributors, in turn, sell the products to farmers.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated. The Company's functional currency is the Chinese Yuan Renminbi ("RMB"); however the accompanying consolidated financial statements have been translated and presented in United States Dollars ($ or "USD").

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. It is possible that accounting estimates and assumptions may be material to the Company due to the levels of subjectivity and judgment involved.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

The Company maintains reserves for potential credit losses for accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded based on the Company's historical collection history.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Advances to Suppliers

The Company advances to certain vendors for purchase of its material. The advances to suppliers are interest free and unsecured.

Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market.

Property & Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives of:

Operating equipment	10 years
Vehicles	8 years
Office equipment	5 years
Buildings	30 years

The following are the details of the property and equipment at March 31, 2011 and December 31, 2010, respectively:

	March 31, 2011	December 31, 2010
Operating equipment	$ 10,248,254	$ 10,181,140
Vehicles	621,775	617,703
Office equipment	99,595	98,420
Buildings	15,115,031	15,016,045
	26,084,655	25,913,308
Less accumulated depreciation	(3,451,045)	(3,042,968)
Property and equipment, net	$ 22,633,610	$ 22,870,340

Depreciation expense for the three months ended March 31, 2011 and 2010 was $386,690 and $206,054, respectively.

Marketable Securities

The Company applies the guidance of ASC Topic 320 “Investments-Debt and Equity Securities,” which requires investments in equity securities to be classified as either trading securities or available-for-sale securities. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Marketable equity securities not classified as trading are classified as available for sale, and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in

shareholders' equity.

Long-Lived Assets

The Company applies the provisions of ASC Topic 360, "Property, Plant, and Equipment," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal. Based on its review, the Company believes that as of March 31, 2011 and December 31, 2010, there was no significant impairment of its long-lived assets.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
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Intangible Assets

Intangible assets consist of Rights to use land and Fertilizers proprietary technology rights. The Company follows ASC Topic 350 in accounting for intangible assets, which requires impairment losses to be recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by the assets are less than the assets' carrying amounts. There were no impairment losses recorded on intangible assets for the three months ended March 31, 2011 and 2010

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. In addition, the Company has long-term debt with financial institutions. The carrying amounts of the line of credit and other long-term liabilities approximate their fair values based on current rates of interest for instruments with similar characteristics.

Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

The following table represents our assets and liabilities by level measured at fair value on a recurring basis as of March 31, 2011.

Description	Level 1	Level 2	Level 3
Assets			
Marketable securities	$ 4,037,180	$ -	$ -

The Company did not identify any other non-recurring assets and liabilities that are required to be presented in the consolidated balance sheets at fair value in accordance with ASC 825.

Revenue Recognition

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Because collection is not reasonably assured, sales revenue is recognized using the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments exceed the cost of the goods sold.

Advertising Costs

The Company expenses the cost of advertising as incurred or, as appropriate, the first time the advertising takes place.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
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Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation." ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. There were 426,000 options outstanding as of March 31, 2011.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, "Income Taxes." ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on the Company's consolidated financial statements.

Foreign Currency Translation

The accounts of the Company's Chinese subsidiaries are maintained in the RMB and the accounts of the U.S. parent company are maintained in the USD. The accounts of the Chinese subsidiaries are were translated into USD in accordance with Accounting Standards Codification ("ASC") Topic 830 "Foreign Currency Matters," with the RMB as the functional currency for the Chinese subsidiaries. According to Topic 830, all assets and liabilities were translated at the exchange rate on the balance sheet date, stockholders' equity is translated at historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, "Comprehensive Income." Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the statement of operations.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
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Foreign Currency Transactions and Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company's Chinese subsidiaries is the Chinese Yuan Renminbi. Translation gains of $9,493,903 and $9,274,169 at March 31, 2011 and December 31, 2010, respectively are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet. During the three months ended March 31, 2011 and 2010 other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains (loss) of $219,734 and ($79), respectively. A detail of accumulated other comprehensive income is summarized below:

	Foreign Currency	Unrealized Gain (loss)	Total Other Comprehensive Income
Balance, December 31, 2010	9,274,169	5,951,135	15,225,304
Adjustments	222,439	(4,743,687)	(4,521,248)
Balance, March 31, 2011	$ 9,496,608	$ 1,207,448	$ 10,704,056

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with the ASC Topic 260, "Earnings Per Share." Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock warrants were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. There were 426,000 options as of March 31, 2011 and 2010 that were excluded from the diluted loss per share calculation due to their exercise price being greater than the Company's average stock price for the year.

Statement of Cash Flows

In accordance with ASC Topic 230, "Statement of Cash Flows," cash flows from the Company's operations are calculated based upon the local currencies using the average translation rates. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

Segment Reporting

ASC Topic 280, "Segment Report," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. ASC Topic 280 has no effect on the Company's

consolidated financial statements as the Company consists of one reportable business segment. All revenue is from customers in People's Republic of China and all of the Company's assets are located in People's Republic of China.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2010-06, Improving Disclosures about Fair Value Measurements ("ASU No. 2010-06"). The new standard addresses, among other things, guidance regarding activity in Level 3 fair value measurements. Portions of ASU No. 2010-06 that relate to the Level 3 activity disclosures are effective for the annual reporting period beginning after December 15, 2010. The Company will provide the required disclosures beginning with the Company's Annual Report on Form 10-K for the year ending December 31, 2011. Based on the initial evaluation, the Company does not anticipate a material impact to the Company's financial position, results of operations or cash flows as a result of this change.

Note 3 – Note Receivable

The note receivable is unsecured; bears interest at 9.1% per annum and originally due on March 25, 2011, but extended to September 25, 2011.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 4 – Inventory

Inventory at March 31, 2011 and December 31, 2010 consisted of the following:

	March 31, 2011	December 31, 2010
Raw materials	$ 700,374	$ 563,088
Packaging	66,988	45,288
Finished goods	944,959	589,758
Inventory, net	$ 1,712,321	$ 1,198,134

Note 5 – Marketable Security

During 2008, the Company exchanged $3,291,264 of receivables for a 28.8% ownership interest in a Chinese company, Shanxi Jiali Pharmaceutical Co. Ltd ("Jiali"). The Company had written down the value of this investment by $987,860 at December 31, 2008. This investment was originally accounted for under the equity method and the Company recorded equity income in this investment through September 30, 2009. During the fourth quarter of 2009, Jiali was purchased by China Pediatric Pharmaceuticals, Inc. ("China Pediatric"), a public company. After the transaction, the Company owned 18.8% (or 2,018,590 shares) of China Pediatric. The Company then changed the accounting method for the investment from the equity method to the fair value method. At the date of the change, the investment was valued at $2,829,732. As of March 31, 2011 and 2010, the fair value of the investment is $4,037,180 and $8,780,867, respectively, which is reflected in the consolidated balance sheet. The Company recognized an unrealized loss of $4,743,687 and $1,130,410 for the three months ended March 31, 2011 and 2010, respectively, which is reflected as accumulated other comprehensive income in the consolidated statement of stockholder's equity.

Note 6– Intangible Assets

Net intangible assets at March 31, 2011 and December 31, 2010 were as follows:

	March 31, 2011	December 31, 2010
Rights to use land	$ 5,208,793	$ 5,174,682
Fertilizers proprietary technology rights	1,221,600	1,213,600
	6,430,393	6,388,282
Less accumulated amortization	(1,630,858)	(1,574,873)
Intangibles, net	$ 4,799,535	$ 4,813,409

The Company's office and manufacturing site is located in Yang Ling Agricultural High-Tech Industries Demonstration Zone in the province of Shaanxi, People's Republic of China. The Company leases land per a real estate contract with the government of People's Republic of China for a period from November 2001 through November 2051. Per the People's Republic of China's governmental regulations, the Government owns all land.

During July 2003, the Company leased another parcel of land per a real estate contract with the government of the People's Republic of China for a period from July 2003 through June 2053.

The Company has recognized the amounts paid for the acquisition of rights to use land as intangible asset and amortizing over a period of fifty years.

The Company acquired Fluid and Compound Fertilizers proprietary technology rights on January 1, 2001with a life ending December 31, 2011. The Company is amortizing Fertilizers proprietary technology rights over a period of ten years.

On July 15, 2008, the Company entered into a 50 year land rights agreement.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Amortization expense for the Company's intangible assets amounted to $45,448 and $54,770 for the three months ended March 31, 2011 and 2010, respectively. Amortization of intangible assets for the next five years are as follows:

Year End	Amount
2011	$ 160,000
2012	101,000
2013	101,000
2014	101,000
2015	$ 101,000

Note 7 – Note Payable

On March 19, 2010, the Company obtained a bank loan for 10,000,000 RMB (approximately $1,527,000 and $1,517,000 at March 31, 2011 and December 31, 2010, respectively). The loan has an 8.1% annual interest rate, matures on March 19, 2012 and is secured by the Company's land use rights and facility.

Note 8 – Stockholders Equity

Common stock

Stock Options

Following is a summary of the stock option activity:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2010	426,000	1.07	
Granted	-		
Canceled	-		
Exercised	-		
Outstanding at March 31, 2011	426,000	$ 1.07	$ 40,000
Exercisable at March 31, 2011	426,000	$ 1.07	$ 40,000

Following is a summary of the status of options outstanding at March 31, 2011:

Options Outstanding and Exercisable		
Range of Exercise	Number Outstanding March 31,	Weighted Average Remaining Contractual

Price	2011	Life (Years)
$ 0.70	400,000	1.00
$ 6.72	26,000	0.50
	426,000	

Note 9 – Employee Welfare Plans

The Company has established its own employee welfare plan in accordance with Chinese law and regulations. The Company makes annual contributions of 14% of all employees' salaries to employee welfare plan. The total expense for the above plan were $0 and $0 for the three months ended March 31, 2011 and 2010, respectively. The Company has recorded welfare payable of $0 and $0 at and March 31, 2011 and December 31, 2010, respectively.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
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Note 10 – Statutory Common Welfare Fund

As stipulated by the Company Law of the People's Republic of China (PRC), net income after taxation can only be distributed as dividends after appropriation has been made for the following:

i. Making up cumulative prior years' losses, if any;

ii. Allocations to the "Statutory surplus reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital;

iii. Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory common welfare fund", which is established for the purpose of providing employee facilities and other collective benefits to the Company's employees; and

iv. Allocations to the discretionary surplus reserve, if approved in the stockholders' general meeting.

Pursuant to the new Corporate Law effective on January 1, 2006, there is now only one "Statutory surplus reserve" requirement. The reserve is 10 percent of income after tax, not to exceed 50 percent of registered capital.

The Company did not appropriate a reserve for the statutory surplus reserve and welfare fund for the three months ended March 31, 2011 and 2010.

Note 11 – Factory Location and Lease Commitments

The Company's principal executive offices are located at North Part of Xinquia Road, Yang Ling Agricultural High-Tech Industries Demonstration Zone Yang Ling, Shaanxi province, People's Republic of China. BBST owns two factories, which includes three production lines, an office building, one warehouse, and two research labs and, is located on 10,900 square meters of land. These leases require monthly rental payments of $2,637 and the leases expire in 2013.

Note 12 – Current Vulnerability Due to Certain Concentrations

Two vendors provided 64% and 25% of the Company's raw materials for the three months ended March 31, 2011 and two vendors provided 48.4%, and 31.3% of the Company's raw materials for the three months ended March 31, 2010.

Two customers accounted for 16% and 18% of the Company's sales for the year ended March 31, 2011. Two customers accounted for 24% and 12% of the Company's sales for the year ended March 31, 2010.

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, by the general state of the PRC's economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Note 13 – Litigation

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Other than the matters described below, we are currently not aware of any such legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse affect on our business, financial condition, results of operations or liquidity.

Note 14 – Subsequent Events

Pursuant to Financial Accounting Standards Board Accounting Standards Codification 855-10, the Company has evaluated all events or transactions that occurred from January 1, 2010, through the filing with the SEC. The Company did not have any material recognizable subsequent events during this period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," anticipate," believe," estimate," continue," or the negative of such other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those listed under the heading "Risk Factors" and those listed in our other SEC filings. The following discussion should be read in conjunction with our Financial Statements and related notes thereto included elsewhere in this Quarterly Report. Throughout this Quarterly Report we will refer to Shiner International, Inc., together with its subsidiaries, as "Shiner," the "Company," "we," "us," and "our.

Overview

We are incorporated under the laws of the state of Delaware and our operating subsidiary, Yang Ling, is headquartered in Shaanxi Province, the People's Republic of China. We are engaged in developing, manufacturing and selling organic fertilizers, liquid fertilizers, pesticides and insecticides in the People's Republic of China and produce numerous proprietary product lines, from pesticides to crop-specific fertilizers. We market and sell our products to distributors throughout the People's Republic of China, and these distributors, in turn, sell our products to farmers. We also conduct research and development to further improve existing products and develop new formulas and products.

Critical Accounting Policies and Estimates

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("US GAAP"). US GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expenses amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

We believe the following is among the most critical accounting policies that impact our consolidated financial statements. We suggest that our significant accounting policies, as described in our condensed consolidated financial statements in the Summary of Significant Accounting Policies, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Accounts receivable

We maintain reserves for potential credit losses on accounts receivable and record them primarily on a specific identification basis. In order to establish reserves, we review the composition of accounts receivable and analyze

historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. This analysis and evaluation requires the use of judgments and estimates. Because of the nature of the evaluation, certain judgments and estimates are subject to change, which may require adjustments in future periods.

Inventories

We value inventories at the lower of cost (determined on a weighted average basis) or market. When evaluating our inventory, we compare the cost with the market value and make allowance to write them down to market value, if lower. The determination of market value requires the use of estimates and judgment by our management.

Intangible assets

We evaluate intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. This evaluation requires the use of judgments and estimates, in particular with respect to recoverability. Recoverability of intangible assets, other long-lived assets and, goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

Revenue Recognition

Our revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Because collection is not reasonably assured, sales revenue is recognized using the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments exceed the cost of the goods sold.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2010-06, Improving Disclosures about Fair Value Measurements (“ASU No. 2010-06”). The new standard addresses, among other things, guidance regarding activity in Level 3 fair value measurements. Portions of ASU No. 2010-06 that relate to the Level 3 activity disclosures are effective for the annual reporting period beginning after December 15, 2010. The Company will provide the required disclosures beginning with the Company’s Annual Report on Form 10-K for the year ending December 31, 2011. Based on the initial evaluation, the Company does not anticipate a material impact to the Company’s financial position, results of operations or cash flows as a result of this change.

Results of Operations

Three Months Ended March 31, 2011 as Compared to Three Months Ended March 31, 2010

	Three Months Ended March 31,		Change	
	2011	2010	$	%
Revenue	$1,024,677	$1,538,342	$(513,665)	(33)%
Cost of revenue	479,217	809,883	(330,666)	(41)%
Gross profit	545,460	728,459	(182,999)	(25)%
Operating expenses				
Selling expenses	683,897	141,414	542,483	384%
General and administrative expenses	516,610	747,984	(231,374)	(31)%
Total operating expenses	1,200,507	889,398	311,109	35%
Loss from operations	(655,047)	(160,939)	(494,108)	307%
Non-oparating income (expense):				
Other income (expense)	(229)	(614)	385	(63)%
Interest income, net	13,917	2,508	11,409	455%
Gain on sale of investment, net	-	-	-	-%
Equity income in investment	-	-	-	-%
Total non-operating income(expense)	13,688	1,894	11,794	623%
Net income (loss)	$(641,359)	$(159,045)	$(482,314)	303%

Revenue: We generated revenue of $1,024,677 for the three months ended March 31, 2011, a decrease of $513,665 or 33%, compared to $1,538,342 for the three months ended March 31, 2010. The decrease in revenue is primarily attributable to the severe inflation which caused purchasing from the farmers to decrease.

Gross Profit (Loss):. We experienced a gross profit of $545,460 for the three months ended March 31, 2011, a decrease of $182,999 or 25%, compared to 728,459 for the three months ended March 31, 2010. Gross margin (gross profit as a percentage of revenue), was 53.2% for the three months ended March 31, 2011, compared to 47.4% for the three months ended March 31, 2010. The increase in the gross margin percentage was primarily attributable to the higher profit margins which are earned on the new products.

Selling Expenses: Aggregated selling expenses accounted for $683,897 of our operating expenses for the three months ended March 31, 2011, an increase of $542,483 or 384%, compared to $141,414 for the three months ended March 31, 2010. The increase in our aggregated selling expenses is primarily attributable to an increase in marketing promotion and advertising programs.

General and Administrative Expenses: General and administrative expenses accounted for $516,610 of our operating expenses for the three months ended March 31, 2011, a decrease of $231,374 or 31%, compared to $747,984 for the three months ended March 31, 2010. The decrease is principally due to a decrease in our bad debt expense.

Non Operating Income and Expenses: We had total non-operating income of $13,688 for the three months ended March 31, 2011, a change of $11,794 compared to income of $1,894 for the three months ended March 31, 2010. Other income (expense) was $(229) for the three months ended March 31, 2011 compared to $(614) for the three months ended March 31, 2010. During the three months ended March 31, 2011 and 2010, we did not incur any gains or losses related to equity income in investment.

Liquidity and Capital Resources

We are primarily a parent holding company for the operations carried out by our indirect operating subsidiary, Yang Ling, which carries out its activities in the People's Republic of China. Because of our holding company structure, our ability to meet our cash requirements apart from our financing activities, including payment of dividends on our common stock, if any, substantially depends upon the receipt of dividends from our subsidiaries, particularly Yang Ling.

As of March 31, 2011, we had $1,739,699 of cash and cash equivalents compared to $3,675,209 as of December 31, 2010.

Cash Flows

Operating: We used $1,952,514 of cash for operating activities for the three months ended March 31, 2011 compared to $527,351 of cash used in operating activities for the three months ended March 31, 2010. The cash used in operating consisted of a net loss of $1.4 million offset by non cash expenses of depreciation and amortization of $432,138. In preparation for greater sales, we increased inventory by $504,557 our advances to suppliers increased $304,849. Deferred revenues and other payables were paid down resulting in a decrease in cash of $369,258 and $645,968, respectively.

Investing: Our investing activities used $525 of cash for the three months ended March 31, 2011, compared to $3,267 of cash used investing activities for the three months ended March 31, 2010. The decrease is immaterial.

Contractual Commitments

In August 2006, we entered into a 30-year land-lease arrangement with the government of the People's Republic of China, under which we pre-paid $2,529,818 upon execution of the contract of lease expense for the next 15 years. We agreed to make a prepayment for the next eight years in November 2021, and will make a final pre-payment in November 2029 for the remaining seven years. The annual lease expense amounts to approximately $169,580. Our land-lease arrangement is currently our only material on- and off-balance sheet expected or contractually committed future obligation.

Off-Balance Sheet Arrangements

We currently do not have any material off-balance sheet arrangements except for the remaining pre-payments under the land-lease arrangement described above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of our Disclosure Controls

As of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have evaluated the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are procedures that are designed with the objective of ensuring that information required to be

disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Our management does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our chief executive officer and our chief financial officer. Based on that evaluation, we concluded that because of the material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of March 31, 2011.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Notwithstanding the aforementioned controls implemented in December 2006, during management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010, management identified deficiencies related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) a lack of segregation of duties within accounting functions, (iii) our internal risk assessment functions, and (iv) our communication functions.. Management believes that these deficiencies amount to a material weakness that render our internal controls over financial reporting ineffective as of March 31, 2011.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In order to correct the foregoing deficiencies, we have taken the following remediation measures:

- Although our accounting staff is professional and experienced in accounting requirements and procedures generally accepted in the PRC, management has determined that they require additional training and assistance in U.S. GAAP matters. Management has determined that our internal audit function is also significantly deficient due to insufficient qualified resources to perform internal audit functions. We retained an outside consulting firm in September 2006, which has since been assisting us in the implementation of Section 404.

- We have committed to the establishment of effective internal audit functions and have instituted various anti-fraud control and financial and account management policies and procedures to strengthen our internal controls over financial reporting. Due to the scarcity of qualified candidates with extensive experience in U.S. GAAP reporting and accounting in the region, we were not able to hire sufficient internal audit resources before the end of 2010. However, we will increase our search for qualified candidates with assistance from recruiters and through referrals.

- Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.

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- As of the fiscal year ended December 31, 2010, we had not yet established an effective risk assessment system that enables us to collect related information comprehensively and systematically, assess risks in a timely, realistic manner, and take appropriate measures to control risks effectively. The Company is working with its outside consultant to devise an effective risk assessment system and our Chief Financial Officer Junyan Tong is responsible for overseeing such measures.

- As of the three months ended March 31, 2011, we are working to strengthen efforts to establish an effective communication system with clear procedures that will enable us to collect, process and deliver information related to internal controls in a timely fashion. Due to our limited staff, our Chief Financial Officer will initially be primarily responsible for collecting and delivering such information among the different levels of Company management.

We believe that the foregoing steps will remediate the material weakness identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

Notwithstanding the conclusion that our internal control over financial reporting was not effective as of the end of the period covered by this report, the Chief Executive Officer and the Chief Financial Officer believe that the financial statements and other information contained in this annual report present fairly, in all material respects, our business, financial condition and results of operations. Nothing has come to the attention of management that causes them to believe that any material inaccuracies or errors exist in our financial statements as of March 31, 2011. The reportable conditions and other areas of our internal control over financial reporting identified by us as needing improvement have not resulted in a material restatement of our financial statements. Nor are we aware of any instance where such reportable conditions or other identified areas of weakness have resulted in a material misstatement of omission in any report we have filed with or submitted to the Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

In addition to the above mentioned deficiencies, in the first quarter of 2011, as a result of comments raised by the SEC, we determined that accounting errors were made in our revenue recognition procedures which have resulted in the restatement of our previously issued financial statements.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal

proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse affect on our business, financial condition, results of operations or liquidity.

ITEM 1A. RISK FACTORS.

Not Applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit No.	Exhibit Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BODISEN BIOTECH, INC.

Dated: May 16, 2011

/s/ Lin Wang
Lin Wang
Chief Executive Officer and President
(principal executive officer)

Dated: May 16, 2011

/s/ Junyan Tong
Junyan Tong
Chief Financial Officer
(principal financial officer and accounting officer)